

Contact: Joan Racki

IOWA RIVER LANDING

Actions Requested: Consider:

1. Authorizing the University of Iowa and Board of Regents, State of Iowa Executive Director, in consultation with the Office of the Attorney General, to approve the following documents related to Iowa River Landing, which will be used to develop a satellite medical facility for the University of Iowa Hospitals and Clinics, with the City of Coralville:
 - a. Satellite Medical Facility Development and Purchase Agreement, including the purchase of 57,251 square feet of land at a price of \$2,022,678 (\$35.33 per square foot) from the City of Coralville;
 - b. Memorandum of Satellite Medical Facility Development and Purchase Agreement;
 - c. Parking Agreement for use of a parking deck the City will develop,
 - d. Payment in lieu of taxes (PILOT) Agreement; and
 - e. Common Area Maintenance Agreement.
2. Subject to final approval of the documents outlined above, approve of the following actions for the **Iowa River Landing Ambulatory Care Clinic Facility Development** project, a major capital project as defined by Board policy.
 - a. Acknowledge receipt of the University's initial submission of information to address the Board's capital project evaluation criteria (see Attachment A);
 - b. Accept the Board Office recommendation that the projects meet the necessary criteria for Board consideration; and
 - c. Authorize permission to proceed with project planning, including:
 1. Waiver of the architectural selection process and the selection of Neumann Monson Architects for the project; and
 2. Utilization of a construction manager for the project.

(ROLL CALL VOTE)

Executive Summary: The University of Iowa is requesting approval of a number of actions related to the Iowa River Landing (IRL) and the **Iowa River Landing Ambulatory Care Clinic Facility Development** (Ambulatory Care Clinic) project to be constructed at the IRL. As discussed with the University of Iowa Hospitals and Clinics Committee at its February 2010 meeting, UIHC's clinic visit volume has increased by over 50% in the last fourteen years.

This growth in outpatient activity has resulted in increased traffic on roadways leading to UIHC, parking ramp capacity is frequently exceeded and the hospitals' public corridors and elevators are often congested. UIHC believes that these deficiencies can best be resolved through the relocation of a number of outpatient clinics to an off-site ambulatory care facility. Decompressing UIHC's core campus creates the needed space to expand other clinical and support services that are best suited to remain on campus, ensures that appropriate facilities are available to meet the demand for patient care services and offers opportunities for increased operational efficiency and revenue enhancement. A smaller, off-site facility devoted

to ambulatory care will simplify wayfinding for patients, which is a significant point of dissatisfaction within the UIHC despite continued efforts to improve signage and develop services designed to help patients easily reach their destinations.

The IRL site, which is bordered on the north by Interstate 80 (exit 242), on the east by the Iowa River, on the west by Coralville's 1st Avenue and on the south by Coralville's 9th Street, features excellent arterial roadway access given its adjacency to Interstate 80 and close proximity to Interstate 380 and UIHC. The IRL's projected development as a major shopping, hotel, dining and entertainment complex will also provide an inviting and supportive setting for an ambulatory patient care facility. UIHC believes that these features and the IRL's accessible location strongly argue for its selection as the site for the new ambulatory care facility. In addition, the new off-site ambulatory clinic will provide an opportunity to offer patient services in an environment that emphasizes an ideal experience and features:

- timely services provided in a pleasant and friendly atmosphere;
- patient and family centered care;
- open access;
- interdisciplinary collaboration;
- the highest level of quality and service; and
- standards that govern each segment of the patient care experience from initial contact to arrangements for follow-up appointments on referrals and final billing and collection.

These same features will facilitate creation of a new model for outpatient care training for medical students and residents.

Agreements with the City of Coralville

Agreements under development with the City of Coralville for the Landing include: Satellite Medical Facility Development and Purchase Agreement, Parking Agreement, and Common Area Maintenance Agreement. The University requests that the Executive Director of the Board in consultation with the Office of Attorney General be authorized to approve these documents.

The University has provided the following summary of the documents.

- Satellite Medical Facility Development and Purchase Agreement
 - Establishes:
 - the City will grade the Satellite Medical Facility (Ambulatory Care Facility) land, the parking land and the public infrastructure land;
 - the City will sell the graded Ambulatory Care Facility (ACF) land to the Board of Regents, State of Iowa (Regents);
 - the Regents will construct an ACF of approximately 150,000 gross square feet on this land for use by UIHC;
 - the City will construct a 3-level parking ramp on the parking land (see Parking Agreement) and the public infrastructure on the public infrastructure land; and
 - the UIHC will make payments to the City in lieu of taxes (see PILOT Agreement) and for common area maintenance services (see CAM Agreement).
- Memorandum of Satellite Medical Facility Development and Purchase Agreement

- The Memorandum will be recorded to put third parties on inquiry notice that there is an arrangement between the City and the Regents relating to the property, eliminating the need to record the entire SMF Facility Development and Purchase Agreement.
- Parking Agreement
 - Establishes that the City will finance the cost to construct the Parking Improvements, Master Grading and Public Infrastructure and will be responsible for carrying each of these through to completion;
 - Grants an easement to UIHC for access and use, in perpetuity, of a minimum of 569 parking stalls for patients, staff and visitors on the top two levels of a new 3-level parking ramp to be constructed and operated by the City on a site immediately adjacent to the Ambulatory Care Facility (ACF) and up to 150 additional surface parking stalls at parking facilities near the ACF. A proportionate share of public infrastructure and site preparation would be applied to the cost structure for this parking facility;
 - City to establish parking fees and charges on an annual basis with UIHC payments made in equal monthly installments; and
 - Payments begin at completion of City's projects (Parking and Infrastructure).
- Payment in Lieu of Taxes (PILOT) Agreement
 - Establishes a mechanism by which UIHC pays the City for police, fire and other services provided to the Ambulatory Care Facility (ACF) and for construction and maintenance of streets, sidewalks, storm water drainage and other improvements and facilities serving or benefitting the ACF; and
 - City to be paid \$1,000,000 for the first year of ACF operation and adjusted annually thereafter. This initial amount was derived by applying the prevailing tax rate to the value of the facility if it were to be developed as a commercial office building and subsequent annual adjustments will be based on changes in the tax rate.
- Common Area Maintenance (CAM) Agreement
 - Establishes an annual payment to City for common area maintenance services within Iowa River Landing development, including maintaining, repairing and, as necessary, replacing common area driveways and parking areas, removing snow and ice, sweeping, striping and replacing pavement and lawn maintenance;
 - Initial annual CAM payment to be \$1 per square foot of total constructed clinic space, now estimated at 150,000 square feet, for a total of \$150,000;
 - Payments to be adjusted annually based on changes in the CPI; and
 - Payments begin at completion of City's projects (Parking and Infrastructure).

Included within the Satellite Medical Facility Development and Purchase Agreement is the purchase of a parcel of approximately 1.31 acres (57,251 square feet) in the IRL development at the price of \$2,022,678 as the site for the **Iowa River Landing Ambulatory Care Clinic Facility Development** project to be constructed at the site. The purchase price was derived from an agreed upon price per square foot of \$35.33 applied to 57,251 square feet (the estimated number of square feet of real estate contained in the land upon which the Ambulatory Care Facility is to be constructed). This land purchase price includes grading and public infrastructure needed for its development by UIHC. Two appraisals were obtained valuing the property at \$1,759,000 (\$30.61

per square foot) and \$2,100,000 (\$36.68 per square foot). The proposed purchase price is consistent with Board policy which provides that property shall be purchased at no more than the high appraisal or not more than five percent over the average of two appraisals, whichever is the lower figure.

Funds for the purchase of this property will be provided through University Hospitals Building Usage Funds acquired from depreciation allowances of third parties underwriting the cost of patient care, hospital net earnings from paying patients, and Hospital Revenue Bond proceeds. Attachment B includes the legal description of the property and Attachment C includes the location of the proposed clinic and other proposed facilities at the IRL.

The property within the IRL that is planned as the site for this new ambulatory care facility is located in the southwest section of the initial IRL development and is adjacent to Coralville's 1st Avenue and 9th Street. This location is well above the Iowa River's 500 year flood plain and will afford direct and convenient vehicular access to the new clinic facility and the parking accommodations to be developed by the City of Coralville immediately to its north.

Iowa River Landing Ambulatory Care Clinic Facility Development

The University requests permission to proceed with project planning for the **Iowa River Landing Ambulatory Care Clinic Facility Development** project which would be located at IRL.

The estimated total project cost is approximately \$73 million, including the new building and its furniture and equipment. Cost figures will be further developed and refined as planning proceeds.

The project would be funded by University Hospitals Building Usage Funds acquired from depreciation allowances of third parties underwriting the cost of patient care, hospital net earnings from paying patients, and Hospital Revenue Bond proceeds. UIHC estimates the internal rate of return over the life of this project at 16.6%.

UIHC requests approval to waive provisions of the Board's Policy Manual that require the selection of an architectural firm by an institutional Architectural Selection Committee for projects of \$1 million or more, and requests approval of the selection of Neumann Monson Architects, Iowa City, Iowa, to provide design services for the project. UIHC has outlined the following reasons for this request:

- Neumann Monson was chosen through an architectural selection process conducted by the Iowa River Landing developer, OliverMcMillan, for the design of the Medical Office Building (ambulatory care clinic building). OliverMcMillan began its process in the fall of 2008 when the form identified, in consultation with the City of Coralville, a short list of six architectural firms. The short listed firms were invited to a two day charette to design and present their solutions for development of the site. Attendees at the event included prospective and current tenants of Iowa River Landing, various consultants, City of Coralville staff and elected officials and representatives from UI Health Care and the University of Iowa, including Kenneth Fisher, Gordon Williams, William Hesson, Christine Miller, Jose Fernandez and Rod Lehnertz. Of the six presenting firms, OliverMcMillan recommended two for further consideration by the University of Iowa for design of the Medical Office Building. The University expressed a strong preference for Neumann Monson based on its long track record of successful projects at both the University and the UIHC. Based on the University of Iowa's preference OliverMcMillan selected Neumann Monson to design the building.

- Neumann Monson Architecture has extensive experience with the site, the City of Coralville, OlliverMcMillan and UIHC. Since 2003, the firm has been involved in the overall planning for various components of the Iowa River Landing District. In January 2009, the firm was engaged by OliverMcMillan to explore options for locating and orienting the Medical Office Building and its associated parking. Over the last year, the firm undertook multiple studies; looking at ways to make the facility both patient-centered and efficient for the delivery of care. Working closely with UIHC they have developed the current site plan and building concept for the Medical Office Building and its associated amenities, keeping efficiency, sustainability, flexibility and the budget in mind.

The University of Iowa Hospitals and Clinics reports that it is pleased with the performance of Neumann Monson on this project and would like to move forward with the firm's creative work product. If a new search would be conducted it is unlikely a firm other than Neumann Monson would be selected.

Due to the complex development requirements and compressed schedule for the Ambulatory Care Clinic, UIHC wishes to utilize a construction manager to provide preconstruction and construction management services for the project. During the preconstruction phase the construction manager (CM) would undertake feasibility analyses during design, identify and scope multiple bid packages to encourage bidding by Iowa contractors, and coordinate constructability issues with the overall IRL Development. During the construction phase the CM would serve as the UIHC's agent to coordinate and manage multiple prime construction contracts.

RESPONSES TO BOARD EVALUATION CRITERIA FOR MAJOR CAPITAL PROJECTS

Fulfillment of Mission and Strategic Plan: Completion of this project will contribute to UI Hospitals and Clinics' efforts in meeting all elements of its tripartite mission. It will greatly enhance the UI Hospitals' capabilities for fulfilling its patient care mission by providing the necessary space to accommodate the projected growth in outpatient volume and facilitate and generate future growth in patient admissions. The educational and research missions will also be enhanced through development of the necessary space to enable students, residents and fellows to gain necessary clinical experience in accord with accrediting body standards; and by providing the type of facilities required to conduct innovative research directed toward more clinically efficacious diagnosis and treatment of disease. The project also is supportive of each of the six major goals that have been established in UI Health Care's Strategic Plan for FY 2010 – 2012 by providing the facilities that are required to assist UI Health Care's efforts 1) to provide world class healthcare services to optimize health for everyone, 2) to advance world class discovery through excellence and innovation in biomedical and health services research, 3) to develop world class health professionals and scientists through excellent, innovative and humanistic educational curricula for learners at every stage, 4) to foster a culture of excellence that values, engages and enables our workforce, 5) to create an environment of inclusion where individual differences are respected and all feel welcome, and 6) to optimize a performance-driven business model that assures financial success.

Alternatives Explored: Following completion of studies to identify UIHC's future facility requirements and determining that a major emphasis should be placed on developing off-site ambulatory care services, a number of potential sites were assessed. These are located in the greater Iowa City, Coralville and North Liberty area. The evaluation of these sites led to the conclusion that development of a new ambulatory care facility at Iowa River Landing (IRL) in Coralville would provide the best option. In particular, this site offers an unparalleled opportunity to establish a very visible and easily accessed location within which to provide a highly efficient, cost-effective and patient friendly model for delivering outpatient care.

Abandoned / Transferred / Demolished Space: No space will be abandoned or demolished. The Iowa River Landing ambulatory care clinic facilities will make it possible to vacate some current UIHC facilities or use them less intensely. Those in the latter category will be consolidated to assure efficient use of space. All vacated space will ultimately be reallocated to services at the UIHC main campus and to meet new space needs. Specifically, the vacated space will be used to accommodate:

- clinical and support services remaining on the UIHC campus that currently have space needs,
- development of new clinical services and for expanding and new clinical education and research programs,
- continued growth of services remaining at the UIHC main campus, and swing space required during planned renovations, expansion of new and existing services and development of the Children's Hospital.

Available Financial Resources and Source of Funds: The project will be funded through University Hospitals Building Usage Funds acquired from depreciation allowances of third parties underwriting the cost of patient care plus hospital net earnings from paying patients, and hospital revenue bond proceeds. No state capital appropriated dollars will be involved. The estimated internal rate of return over the life of this project is 16.6%.

Available Operating and Maintenance Resources: The source of funds to cover the associated operating and maintenance costs of the new facilities will be University Hospital operating revenues derived from providing patient care services.

External Forces Justifying Approval: The development of this off-site ambulatory care clinic is an important element in enabling the UIHC to be responsive to societal forces, standards and regulations impacting the provision of contemporary patient care services while meeting all components of its tri-partite mission. As previously noted, the UIHC continues to experience a significant growth in outpatient visits that have resulted in congested patient care and support facilities, parking and traffic flow problems and difficulties in meeting long-term main campus development plans. Patient care will be enhanced through expanded clinic examination and support facilities and the design of these facilities will be focused on providing a more comfortable and patient-friendly environment. As such, the demands and expectations of UIHC's existing and future patients will be better addressed, both in the new off-site facility and in the outpatient clinics that continue to be provided on the main campus. The design will meet Health Insurance Portability and Accountability Act (HIPAA) requirements for patient privacy and confidentiality. The proposed new facilities and future renovation of existing facilities will also make it possible for the UIHC to meet education and training program requirements for providing all trainees with more extensive clinical experiences. Additional space will also permit more research subjects to participate in clinical trials in proximity to their patient care, thereby enhancing opportunities to gain support for other funded clinical research studies.

**Iowa River Landing Ambulatory Care Facility Land Legal Description
BUILDING PARCEL**

That part of the Northeast Quarter of Section 5, Township 79 North, Range 6 West of the 5th P.M., Coralville, Johnson County, Iowa described as follows:

Commencing as a point of reference at the intersection of First Avenue and East Ninth Street in Coralville, Iowa;

Thence North 88°03' East 642.9 feet along the centerline of said East Ninth Street (assumed bearing for this description only);

thence North 1°57' West 44.0 feet to the point of beginning;

thence North 1°33' West 83.3 feet;

thence North 15°03' East 67.3 feet;

thence North 74°57' West 382.6 feet;

thence South 1°52' West 17.1 feet;

thence South 10°37' East 54.3 feet;

thence South 45°00' East 43.6 feet;

thence South 45°13' East 45.8 feet;

thence South 34°03' East 57.0 feet;

thence South 24°48' East 29.0 feet;

thence South 8°00' East 48.5 feet;

thence North 88°03' East 220.3 feet to the point of beginning and containing 1.31 acres more or less.

